

CanCorp

AR42



ANNUAL REPORT 1972

Directors

Alexander H. Douglas

Irving Goodman

Nathan Goodman

George S. Mann

James J. P. Walsh, Q.C.

Officers

Alexander H. Douglas, *President*

James J. P. Walsh, Q.C., *Secretary*

Gordon E. Howey, *Treasurer*

Transfer agents and registrars

United Trust Company, Toronto

Solicitors

James J. P. Walsh, Q.C., Toronto

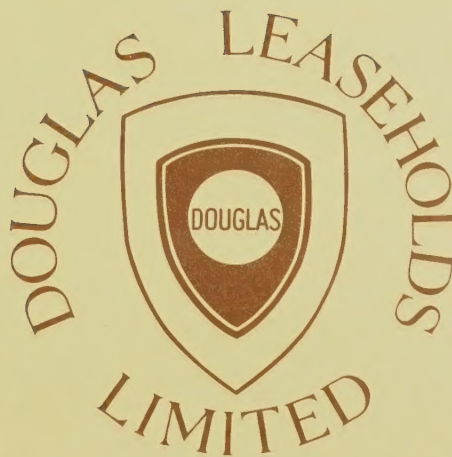
Bankers

Canadian Imperial Bank of Commerce, Toronto

Auditors

Laventhol Krekstein Horwath & Horwath, Toronto

21 St. Clair Ave. E., Toronto, Ontario





Alexander H. Douglas

Your Directors submit the Annual Report of the company together with the Consolidated Balance Sheet as at December 31, 1972, the related Consolidated Statement of Income and Retained Earnings with comparative figures and a Statement of Source and Application of Funds.

Financial

In 1971, we changed our year end to a calendar year and therefore we have not provided audited twelve month comparisons. We have included a comparison of our last audited statements for the 6 month period ended December 31, 1971, and 12 months ended June 30, 1971.

Rental revenue for the period totalled \$1,479,243 compared to \$641,014 for six months ended December 31, 1971.

Dividend income and management fees increased to \$85,600 compared to \$38,618 in 1971. *34 cents vs 25 for 90*

Our cash-flow per share was 39¢ compared to 15¢ for the six month period. Per share earnings were 25¢ compared to 9¢ for 6 months ended December 31, 1971. *for 80*

Operations

We completed the addition to our manufacturing and warehouse facilities in Woodbridge in March of 1973. Monsanto Canada Limited will occupy the entire 375,000 square feet on a twenty (20) year net lease. We have arranged for a 2 million dollar mortgage at 8¾ % interest for the term of lease.

In the Fall of 1972, we added three free-standing warehouse buildings to our investment properties and leased them on ten (10) year net leases to prime tenants.

The construction of our Midas Muffler retail stores are progressing satisfactorily. *first shop* The first shop, located on *40 St. Clair Avenue West* in Toronto opened in December, with a second scheduled for completion in early May in Brampton, Ontario. *to be started in Hamilton on last night*

Construction should begin on a new Midas store in Hamilton in June of 1973.

A car wash building was completed in late 1972 in St. Catharines and leased to a major oil company on a twenty (20) year lease.

Agreement has been reached to construct a new car wash in Streetsville and to lease it to a major oil company.



Board of Directors (left to right) George S. Mann, Nathan Goodman, Alexander H. Douglas, Irving Goodman, James J. P. Walsh.



J. A. Hoyle, Development Manager, A. H. Douglas, President and Gordon E. Howey, Treasurer, discuss financial proposal at company's Toronto office.

Tru-Wall Concrete Forming Limited

During the year under review and to date, 1973, we increased our holding in Tru-Wall Concrete Forming Limited to 78,955 shares, approximately 21% of the issued shares. We are the largest individual shareholder in Tru-Wall.

Tru-Wall has diversified its operations into land development, house building, ready-mix concrete, industrial rental properties in addition to its original concrete forming business.

For the nine months ended February 28, 1973, they reported record earnings of \$301,000 after tax compared to \$63,000 in 1972.

We expect that their earning trend will continue upwards.

Auto Electric Service Company, Limited

We have been concerned about the amount of time and effort needed to manage our investment in Auto Electric Service Company, Limited. The investment in Autolec shares at a cost of \$727,000 represents less than 8% of our assets yet has been taking a disproportionate amount of our management effort.

In order to correct this problem and achieve the level of profits that are available in the automotive after-market; the following management appointments have been made at Autolec:

J. HOLLISTER, President was Zone Manager with a major automotive manufacturer. In this position Mr. Hollister was responsible for marketing of all aftermarket products in Ontario and for the operation of the National Parts Depot maintaining supply to all other corporate depots across Canada. He was also responsible for service development and the administration of corporate warranty policies in Ontario.

G. E. HOWEY, C.A., Vice-President, Finance Secretary held a senior financial position with an International Company and was headquartered in their Toronto office.

R. J. MIGHTON, Manager Marketing, was Canadian General Sales Manager for a major automotive parts manufacturer. In this position Mr. Mighton was responsible for all marketing and distribution activities of this Company.

KIYO NONOMURA, Manager Purchasing was Purchasing Agent for a major aftermarket parts distributor, and more recently Assistant to the V. P. Marketing & Merchandising of the largest warehouse distributor in Canada.

R. C. BROWN, Manager Operations was Operations Manager of the National Parts Depot for a major automobile manufacturer. In that position Mr. Brown set up and managed the most modern material handling facility of its kind in North America.

The company will continue to be operated under the management contract between the two companies and I have retained the responsibilities of Chairman of the Board.

Appointments to the Board of Directors

During the year we accepted the resignations of the following directors: George Leaver, J. B. McLellan and T. M. Bradfield.

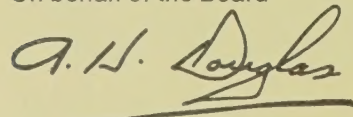
The new directors appointed were: George Mann, Irving Goodman, Nathan Goodman, all experienced in real estate development or automotive marketing.

Outlook

The company ^{is} ~~intends to~~ broaden the scope of its ^{new} ~~activities immediately~~ to become involved in all types of real estate development.

The immediate prospects for 1973 development are very positive and we are confident that our earnings and cash-flow will continue to increase.

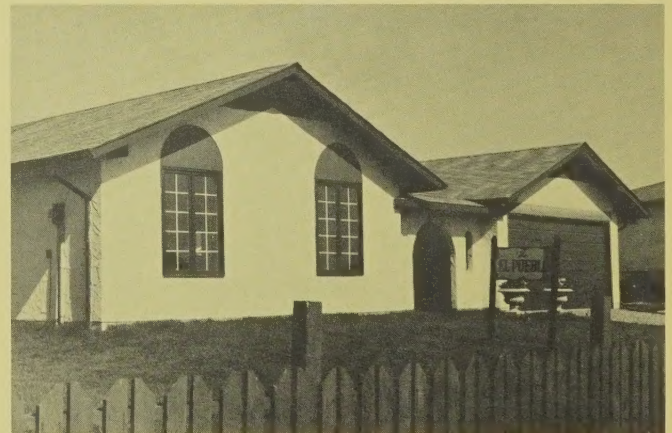
On behalf of the Board



Alexander H. Douglas,
President



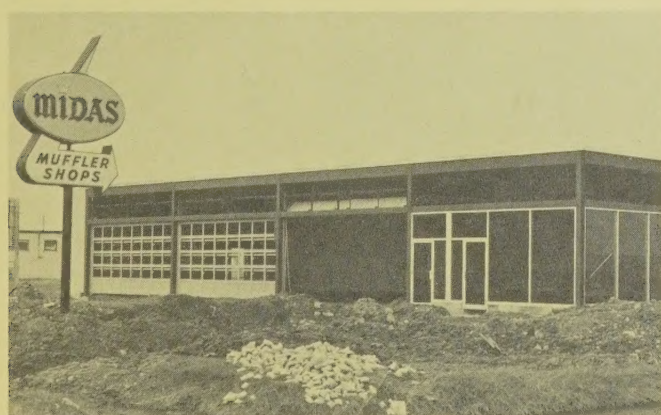
New head office of Auto Electric Service Company, Limited and Modern Automotive Warehousing Limited.



Spanish design house successfully constructed and marketed by Tru-Wall Concrete Forming Ltd.



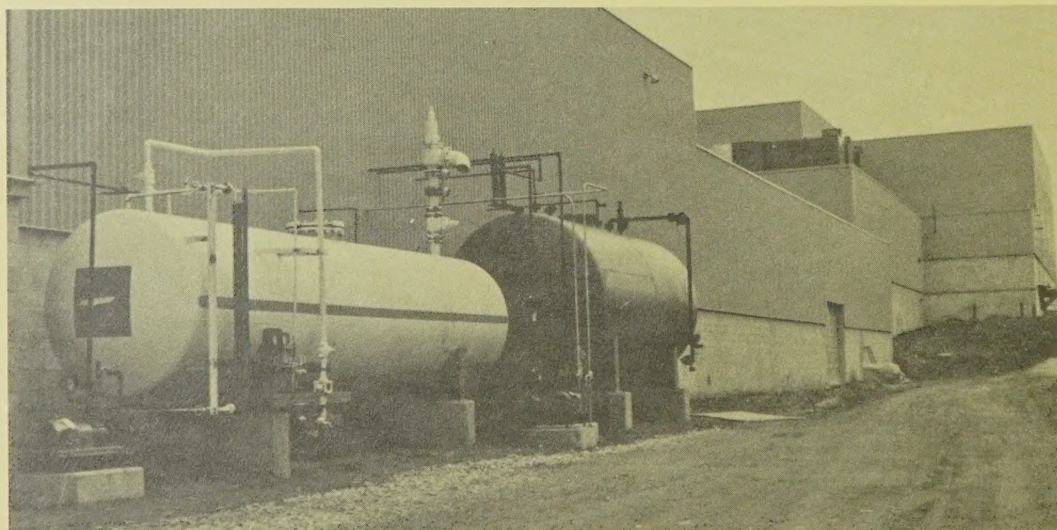
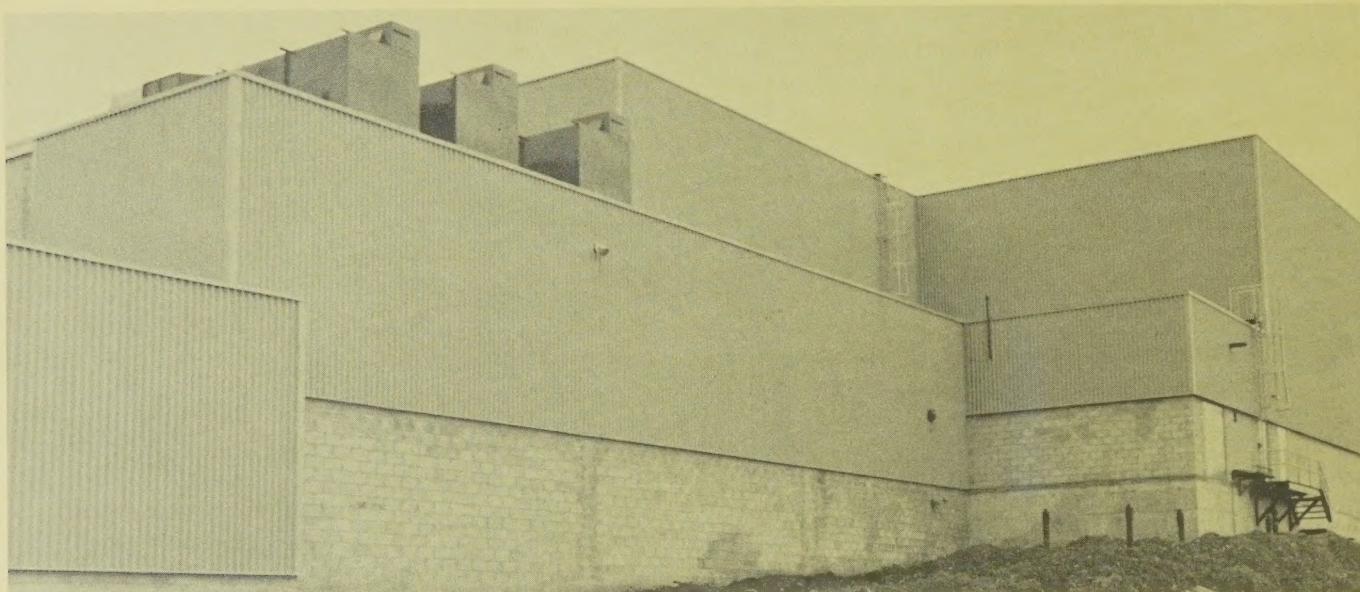
New Midas Muffler Shop recently opened on St. Clair at Wychwood Ave. in Toronto.



Midas Muffler Shop under construction at Kennedy Road and Stafford in Brampton, Ontario.



New car wash and service station nearing completion on Glenridge Drive in St. Catharines.



Sections of our newly constructed manufacturing and warehousing plant for Monsanto Canada Limited. The building constructed for the production of poly-urethane foam, and foam moulded products, is of single story design but some sections are 35 feet in height. The total area exceeds 375,000 square feet and the products are used by the automobile industry, furniture, and clothing manufacturers.

Consolidated Statement of Income and Retained Earnings

(Note 1)



	Year Ended December 31, 1972	Six Months Ended December 31, 1971 (Restated Note 10)	Year Ended June 30, 1971
Revenue:			
Rentals	<u>\$1,479,243</u>	\$641,014	<u>\$1,238,577</u>
Less rent paid on leased sites	<u>131,318</u>	66,967	<u>136,759</u>
	<u>1,347,925</u>	574,047	<u>1,101,818</u>
Dividend income and management fees	<u>85,600</u>	38,618	<u>71,327</u>
Car wash income	<u>—</u>	38,928	<u>141,654</u>
	<u>1,433,525</u>	651,593	<u>1,314,799</u>
Expenses:			
Interest on long-term debt	<u>338,227</u>	176,431	<u>355,026</u>
Other interest	<u>51,561</u>	21,785	<u>34,894</u>
Depreciation	<u>75,852</u>	41,996	<u>65,947</u>
Other operating expenses	<u>679,223</u>	312,083	<u>648,285</u>
	<u>1,144,863</u>	552,295	<u>1,104,152</u>
Income before income taxes and extraordinary gain	<u>288,662</u>	99,298	<u>210,647</u>
Income taxes	<u>127,624</u>	35,758	<u>87,328</u>
Income before extraordinary gain	<u>161,038</u>	63,540	<u>123,319</u>
Extraordinary gain (Note 11)	<u>36,307</u>	4,596	<u>59,687</u>
Net income	<u>197,345</u>	68,136	<u>183,006</u>
Retained earnings, at beginning of year, as restated (Note 10)	<u>688,032</u>	619,896	<u>397,539</u>
	<u>885,377</u>	688,032	<u>580,545</u>
Realization of appraisals, net of applicable income taxes	<u>—</u>	—	<u>39,351</u>
Retained earnings, at end of year	<u>\$ 885,377</u>	<u>\$688,032</u>	<u>\$ 619,896</u>
Earnings per share:			
Net income	<u>25¢</u>	9¢	<u>23¢</u>
Income before extraordinary gain	<u>20¢</u>	8¢	<u>16¢</u>

See accompanying notes.

Consolidated Balance Sheet

(Note 1)

	December 31, 1972	December 31, 1971
		(Restated Note 10)
Assets		
Accounts and mortgage receivable (Note 2)	\$ 120,473	\$ 88,777
Sinking fund cash deposit	121,751	118,671
Land held for resale, at cost	29,994	29,994
Investment properties and equipment (Note 3)	9,176,538	7,695,559
Investment in shares of publicly held companies (Note 4)	946,064	943,115
Prepaid expenses and sundry assets	43,774	51,539
Deferred financing costs and expenses, less amortization (Note 5)	166,957	183,485
	<u>\$10,605,551</u>	<u>\$9,111,140</u>

Auditors' Report

To the Shareholders of
Douglas Leaseholds Limited.

We have examined the consolidated balance sheet of Douglas Leaseholds Limited and subsidiary as at December 31, 1972 and the consolidated statements of income and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and use of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Laventhol Krekstein Horwath & Horwath
Chartered Accountants

Toronto, Ontario,
April 19, 1973.



	December 31, 1972	December 31, 1971 (Restated Note 10)
Liabilities		
Bank indebtedness (Notes 4 and 6)	\$ 1,489,907	\$ 488,244
Accounts payable and accrued interest	474,838	165,326
Income taxes payable	49,620	26,015
Shareholder's loan (Note 4)	90,000	90,000
First mortgage bonds (Note 7)	2,731,000	2,902,000
Mortgages payable (Note 7)	1,872,360	1,749,421
Deferred commissions payable	70,000	77,500
Deferred income	72,071	73,346
Deferred income taxes	199,498	180,376
	<u>7,049,294</u>	<u>5,752,228</u>
Shareholders' equity		
Capital:		
Authorized:		
1,500,000 Common shares, no par value		
Issued:		
790,000 Common shares	1,066,200	1,066,200
Excess of appraised value of land included in properties over cost (Note 3)	1,604,680	1,604,680
Retained earnings	885,377	688,032
	<u>3,556,257</u>	<u>3,358,912</u>
	<u>\$10,605,551</u>	<u>\$9,111,140</u>
<i>See accompanying notes.</i>		

On behalf of the Board:
 Alexander H. Douglas, *Director*
 James J. P. Walsh, *Director*

Consolidated Statement of Source and Use of Funds

(Note 1)

	Year Ended December 31, 1972	Six Months Ended December 31, 1971 (Restated Note 10)	Year Ended June 30, 1971
Source of funds:			
Operations:			
Income before extraordinary gain	\$ 161,038	\$ 63,540	\$123,319
Add items not requiring cash outlay:			
Depreciation and amortization	91,105	41,996	65,947
Deferred income taxes	19,122	8,114	8,114
Cash flow before extraordinary gain *	271,265	113,650	197,380
Extraordinary gain	36,307	4,596	59,687
Cash flow including extraordinary gain *	307,572	118,246	257,067
Mortgage proceeds	225,000	—	277,000
Interim construction financing	657,050	—	—
Increase (decrease) in accounts payable and accrued interest	309,512	(18,106)	3,350
Decrease in other assets	7,433	16,942	28,023
Increase (decrease) in bank indebtedness	344,613	99,360	(14,057)
Increase (decrease) in income taxes payable	23,605	(17,316)	35,336
Realization of appraisals	—	—	39,351
	<u>\$1,874,785</u>	<u>\$199,126</u>	<u>\$626,070</u>
Use of funds:			
Principal repayments on bonds and mortgages	\$ 273,061	\$105,825	\$422,260
Investment in shares of publicly held companies	2,949	23,572	53,676
Increase (decrease) in sinking fund deposit	3,080	44,506	(190)
Additions to property and equipment	447,179	3,350	211,420
Construction in progress	1,109,320	9,766	—
Increase (decrease) in accounts and mortgages receivable	31,696	8,357	(82,661)
Decrease in deferred commissions payable	7,500	3,750	7,500
Adjustment of prior year's income	—	—	14,065
	<u>\$1,874,785</u>	<u>\$199,126</u>	<u>\$626,070</u>
*Cash flow per share:			
Net income	39¢	15¢	33¢
Income before extraordinary gain	34¢	14¢	25¢

See accompanying notes.

Notes to consolidated financial statements

Year ended December 31, 1972



1. Accounting principles:

- The consolidated financial statements include the accounts of the company's wholly-owned subsidiary, Juniper Investments Limited.
- In 1971 the fiscal year end of the company was changed from June 30 to December 31. Accordingly comparative figures are not presented for the year ended December 31, 1971; however, for comparative purposes, figures are included for the six months ended December 31, 1971 and for the year ended June 30, 1971.

2. Accounts and mortgage receivable:

	1972	1971
Mortgage receivable, 9%, matures October 17, 1979	\$ 25,098	\$ 27,662
Sundry accounts receivable	95,375	61,115
	<u>\$120,473</u>	<u>\$ 88,777</u>

3. Investment properties and equipment:

	1972	1971
Undeveloped land, at appraised value	\$ 145,500	\$ 145,500
Developed properties:		
Land, at cost	788,210	495,028
Land, at appraised value	3,675,910	3,675,910
Building and equipment, at cost	3,964,520	3,810,523
	<u>8,574,140</u>	<u>8,126,961</u>
Less accumulated depreciation	516,688	441,168
	<u>8,057,452</u>	<u>7,685,793</u>
Construction in progress*	1,119,086	9,766
	<u>\$9,176,538</u>	<u>\$7,695,559</u>

The company uses the sinking fund method of depreciation under which an increasing amount, consisting of a fixed annual sum together with interest computed at the rate of 5% per annum, is charged to income so as to fully depreciate the buildings over a 35-year period. Equipment is depreciated on a straight-line basis at 10% per annum.

Land shown above at appraised value is based on an appraisal made June 30, 1968 by Canada Permanent Trust Company. The excess of appraised value over cost has been reduced from \$1,687,859 to \$1,604,680 as a result of the realization of appraisal through sale of properties.

*The company is currently constructing an addition to the Woodbridge Building. A first mortgage bearing interest at 8¾% for a term and amortization of twenty years has been arranged in the amount of \$2,000,000 (Note 6).

4. Investment in shares of publicly held companies, at cost:

Company	No. of Shares	Cost	Market Value December 31, 1972	Market Value April 19, 1973 (Date of Auditors' Report)
Auto Electric Service Company Limited	130,000 (21.3% of total issued)	\$727,611	\$1,300,000	\$1,040,000
Tru-Wall Concrete Forming Limited	55,455 (15.0% of total issued)	212,154	156,365	277,275
Sundry		6,299	3,950	3,900
		<u>\$946,064</u>	<u>\$1,460,315</u>	<u>\$1,321,175</u>

These shares have been pledged against bank indebtedness and shareholder's loan. The market values shown above are based on per share quoted market prices.

5. Deferred financing costs and expenses, less amortization:

	1972	1971
Unamortized mortgage financing costs	\$ 74,678	\$ 81,084
Unamortized leasing commissions	87,345	96,645
Prepaid rent	4,934	5,756
	<u>\$166,957</u>	<u>\$183,485</u>

The above costs are being amortized over the terms of the respective mortgages and loans.

6. Bank indebtedness:

Interim construction loan:

The proceeds from the mortgage commitment on the building under construction have been assigned to the bank as security \$ 657,050

General indebtedness:

The investment in shares of publicly held companies are pledged as security as well as a general assignment of book debts

	832,857
	<u>\$1,489,907</u>



7. Long-term debt:

a. First mortgage bonds:

	1972	1971
6¼ % sinking fund due November 1, 1988	\$ 330,000	\$ 348,000
6¼ % sinking fund due March 1, 1988	469,000	496,000
6½ % sinking fund due January 15, 1982	1,280,000	1,369,000
6¾ % serially due November 1, 1970 to 1985	329,000	349,000
6¾ % serially due January 1, 1970 to 1985	159,000	169,000
7½ % serially due June 1, 1970 to 1985	164,000	171,000
	<u>\$2,731,000</u>	<u>\$2,902,000</u>

b. Mortgages payable:

First mortgages:

6% due November 21, 1978	\$ 76,427	\$ 87,095
7% due October 1, 1977	9,674	11,273
7% due January 1, 1978	14,195	16,364
7% due November 1, 1978	19,031	21,578
7% due October 1, 1974	24,375	36,563
7% due February 1, 1976	52,166	66,842
7¼ % due November 30, 1986	49,939	51,963
7¼ % due February 20, 1986	352,856	368,434
7¼ % due March 10, 1986	36,578	38,096
7½ % due March 1, 1987	42,157	43,770
8¾ % due August 1, 1982	124,518	—
9% due April 1, 1981	16,698	18,307
9% due February 1, 1980	432,000	456,000
9½ % due November 21, 1982	99,855	—
10½ % due March 1, 1991	98,425	99,402
10½ % due December 1, 1986	80,000	80,000
10¾ % due February 1, 1991	118,111	119,233
	<u>1,647,005</u>	<u>1,514,920</u>
	<u>225,355</u>	<u>234,501</u>
	<u>\$1,872,360</u>	<u>\$1,749,421</u>

Second mortgages

The aggregate amount of payments estimated to be required in each of the next five years to meet sinking fund and other mortgage debt retirement provisions are as follows:

1973	\$298,228
1974	323,088
1975	323,750
1976	324,450
1977	339,700

The company is the owner of properties leased to major tenants and these existing leases are expected to generate adequate cash flow to retire the above long-term debt as it falls due.

8. Commitments:

The company is committed as a tenant under various leases to annual rentals of approximately \$138,000. All the leased properties have been sub-leased, mainly to major oil companies, for periods that approximately coincide with the terms of the leases to the company. Each of the properties yields a rental equal to or greater than the rent paid by the company.

The company has options to purchase all but two leased properties at the expiration of the respective lease terms.

9. Remuneration of directors and senior officers:

The aggregate direct remuneration for the year paid or payable to directors and senior officers amounts to \$89,008.

10. Adjustment of prior year's income:

The balance of retained earnings at December 31, 1971 previously reported as \$692,331 has been restated to show a net retroactive charge of \$4,299, made up as follows:

Approximate income taxes applicable to 1969	\$14,065
Correction of amounts expensed in 1971 which should have been capitalized to cost of construction	(9,766)
	<u>\$ 4,299</u>

11. Extraordinary gains:

	1972	1971	
		December 31,	June 30,
<u>Tax reductions due to losses</u>			
carried forward	\$36,307	\$4,596	\$10,884
Gains on disposition of investment properties	—	—	38,793
Gain on purchase of company's mortgage bonds payable	—	—	10,010
	<u>\$36,307</u>	<u>\$4,596</u>	<u>\$59,687</u>

DOUGLAS LEASEHOLDS LIMITED**CONSOLIDATED STATEMENT OF SOURCE AND
USE OF FUNDS**

(Unaudited)

Six months ended June 30, 1972

	1972	1971
Source of funds:		
Operations	\$ 99,726	\$125,924
Add items not requiring cash outlay:		
Depreciation and amortization ..	38,494	34,468
Deferred income taxes	9,679	5,203
Equity in net earnings of Auto Electric Service Company Limited, less dividends received	(8,992)	(11,266)
	<u>\$138,907</u>	<u>\$154,329</u>
Mortgage proceeds	—	88,000
Realization of appraisal	—	20,301
Change in bank indebtedness....	276,762	(25,375)
Cost of properties sold	—	39,190
Sinking fund deposit	44,421	42,193
	<u>\$460,090</u>	<u>\$318,638</u>

Use of funds

Principal payments on bonds and mortgages	\$172,831	\$159,593
Investment in shares of publicly held companies	2,929	16,676
Purchase of properties	229,586	133,105
Net changes in other assets and liabilities	54,744	9,264
	<u>\$460,090</u>	<u>\$318,638</u>

**DOUGLAS
LEASEHOLDS
LIMITED****INTERIM REPORT
TO SHAREHOLDERS****FOR THE SIX MONTHS ENDED
JUNE 30th, 1972**

DOUGLAS LEASEHOLDS LIMITED

REPORT TO OUR SHAREHOLDERS

Your Directors submit an interim report of operations for the six month period ended June 30, 1972, with comparative figures for the similar period last year.

FINANCIAL

Rental Revenue for the period totalled \$645,246, compared to \$618,305 in 1971.

Dividend income and management fees totalled \$35,632 compared to \$24,887 in 1971.

In October 1971, we ceased operation of our car wash and leased it to an oil company; therefore we do not show any car wash sales for 1972.

Income before extraordinary items was \$82,491 compared to \$80,671 in 1971.

In 1971 we had an extraordinary profit on sale of real estate amounting to \$23,503; compared to \$3,235 in 1972.

Our after tax net income was \$99,726 compared to \$115,174 in 1971.

Earnings per share before extraordinary items was 10.0¢ in both periods, earnings per share 13¢ in 1972 after extraordinary items compared to 15¢ in 1971.

OPERATIONS

Our agreements to construct a major addition to our manufacturing facilities in Woodbridge are now completed. Monsanto (Canada) Ltd. will occupy the entire 375,000 square foot plant along with the 28 acre parcel of land. The lease is for a 20 year period on a net basis. Construction is expected to start in August 1972 and will be completed in April 1973.

We have entered into an agreement to purchase land and construct buildings for five Midas Muffler shops in the Metropolitan Toronto area.

DOUGLAS LEASEHOLDS LIMITED

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

Six months ended June 30, 1972

	1972	1971
Revenue		
Rental income	\$645,246	\$618,305
Less: rent paid on leased service stations	65,792	68,049
	<u>\$579,454</u>	<u>\$550,256</u>
Dividend income and management fees	35,632	24,887
Car wash sales	—	79,063
	<u>\$615,086</u>	<u>\$654,206</u>

Expenses

Interest on long-term debt	\$165,788	\$167,882
Depreciation	34,802	34,468
Other operating expenses	294,998	340,403
	<u>\$495,588</u>	<u>\$542,753</u>
Income from operations	\$119,498	\$111,453
Income taxes	59,000	55,444
	<u>\$ 60,498</u>	<u>\$ 56,009</u>
Equity in net earnings of Auto Electric Service Company Limited	21,993	24,662
Income before extraordinary items.....	<u>\$ 82,491</u>	<u>\$ 80,671</u>

Extraordinary items

Profit on real estate (net after taxes)	\$ 3,235	\$ 23,503
Income tax reduction resulting from the carry-forward of losses of prior years.	14,000	11,000
Net income	<u>\$ 99,726</u>	<u>\$115,174</u>

Earnings per share

Income before extraordinary items	10¢	10¢
Net income	13¢	15¢